

Service Date: September 30, 1991

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	UTILITY DIVISION
OF Great Falls Gas Company for)	
Authorization to Implement an Area)	DOCKET NO. 91.8.30
Rate Program.)	ORDER NO. 5569

ORDER GRANTING AUTHORIZATION
TO IMPLEMENT AREA RATE PROGRAM

BACKGROUND

On August 15, 1991 the Montana Public Service Commission (Commission) received Great Falls Gas Company's (GFG) application for authorization to implement an Area Rate Program (ARP). This application proposed to extend natural gas service to single or two-family dwellings in areas where there are no main extensions at present.

GFG filed a proposed schedule with the application with a commodity charge of \$.8625 per Mcf in addition to the customer base rate and Gas Research Institute (GRI) surcharge allowed by the Commission for GFG customers presently receiving gas service. The commodity charge is also referred to as an Area Expansion Program (AEP) charge.

On August 20, 1991 GFG held an informational meeting for residents of the Woodland Estates area, Monte Vista addition. GFG explained that the proposed surcharge to the residential base rates would be an option in lieu of an initial capital

investment in aid of construction. GFG represented that the surcharge would be \$.8625 per Mcf for an area rate term of seven years, in order to recover construction costs, plus interest. Once plant costs are recovered, the rate will return to the general base rate for residential customers.

FINDINGS OF FACT AND DISCUSSION

GFG proposes to extend natural gas service on the Area Rate Program (ARP) to the Woodland Estates Area, Monte Vista Addition.

GFG has filed a proposed schedule for the Area Expansion Program (AEP) for Residential Service (RS) to the Woodland Estate Project. This AEP may be enlarged to include contiguous areas capable of being served from the newly constructed mains.

The proposed schedule establishes an AEP surcharge of \$.8625 per Mcf for an area rate term of seven years. The proposed schedule is internally inconsistent, however, stating that June, 1999 is the expected date of expiration. The proposed schedule further provides that the tariff may expire earlier if customers' costs of construction are fully recovered before term.

GFG has told prospective customers in this AEP that the rate would be for a seven year term. GFG has also told the Commission that time is of the essence to allow completion of construction before the heating season 1991-92. Therefore, the Commission finds that the seven year term shall begin December 1, 1991 and expire December 1, 1998, at which time the surcharge will be removed if the tariff has not terminated before term.

If construction costs are recovered before December 1, 1998, the Commission finds that the tariff should terminate. Any excess recovery should be proportionately refunded with interest to the customers within the AEP area, based upon historical consumption during the previous 12 months, as proposed in the schedule.

Because this surcharge is a financing option for construction, there must be certainty for GFG's customers. An option would have been monthly payments with interest over a term. GFG's proposal for a surcharge includes amortized interest. However, the open-endedness of the original proposal would make the interest, term and surcharge uncertain. Therefore, the Commission finds it necessary for GFG to modify the proposal as discussed and to file schedules in accordance with this order.

CONCLUSIONS OF LAW

The Montana Public Service Commission is invested with full power of supervision, regulation and control of public utilities pursuant to the provisions of Title 69. < 69-3-102, MCA.

Great Falls Gas Company is a public utility subject to the Commission's jurisdiction. < 69-3-101, MCA.

Great Falls Gas Company is required to file with the Commission schedules showing all rates, tolls and charges and all rules affecting rates to be charged. < 69-3-301, MCA.

The Area Rate Program (ARP) provides for a rate schedule for residential service in an area not yet served by Great Falls Gas Company. This surcharge will allow gas main extensions in areas not otherwise economical to serve. The Area Expansion Program (AEP) is an optional method of financing aid in construction. The AEP will not affect present customers. When the costs of construction are recovered (less the portion of main extensions normally paid for by the company), the surcharge will be removed. The residential rates then will be the same as those for all other residential customers.

The Commission concludes that the surcharge of \$.8625 per Mcf shall be removed no later than December 1, 1998.

ORDER

WHEREFORE, the Commission issues the following order:

The Commission approves the Area Rate Program subject to the conditions discussed in the findings and conclusions.

Great Falls Gas Company shall file schedules for the Area Expansion Program providing for a surcharge of \$.8625 per Mcf and a term of seven years for the Woodland Estates subdivision.

DONE AND DATED this 23rd day of September, 1991 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.